

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 EPG-02 OMB-01
AID-05 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
/071 W

-----180221Z 041515 /75

R 171450Z MAY 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 5147
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E.O. 11652: NA
TAGS: EFIN ECON PFOR EG
SUBJ: PEOPLES ASSEMBLY COMPLETES DEBATE ON CHANGES IN LAW 43
(1974 FOREIGN INVESTMENT LAW)

REF: CAIRO 8139

1. ON MAY 17 ALL THREE CAIRO DAILIES REPORT THAT PEOPLES ASSEMBLY COMPLETED DEBATE ON PROPOSED CHANGES IN FOREIGN INVESTMENT LAW (LAW 43/1974) ON MAY 16. PROPOSED CHANGES WERE APPROVED BASICALLY AS WRITTEN WITH SOME MINOR AMENDMENTS AS NOTED BELOW. DEBATE WAS, ACCORDING PRESS REPORTS, LENGTHY AND LIVELY OCCUPYING ASSEMBLY THROUGHOUT MOST OF MAY 15 AND 16.

2. MOST IMPORTANTLY, ASSEMBLY APPROVED TRANSFER OF CAPITAL, BOTH INTO AND OUT OF EGYPT, IN CONNECTION WITH LAW 43 PROJECTS, AT "HIGHEST RATE PREVAILING AND DECLARED BY COMPETENT AUTHORITY FOR FOREIGN CURRENCY". FOREIGN CAPITAL WILL ALSO BE TRANSFERRED AT THE HIGHEST RATE AVAILABLE FOR PURCHASE OF LAND AND REAL ESTATE FOR APPROVED VENTURES.

3. FOLLOWING IS RECAP OF ASSEMBLY ACTIONS WHICH CHANGE PROPOSED

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REVISIONS AS MADE BY MINECON (DRAFT PRESIDENTIAL DECREE CONTAINING PROPOSED CHANGES TRANSMITTED TO NEA/EGY EARLIER. SEE ALSO CAIRO 6231). WE CANNOT, HOWEVER, BE SURE THAT PRESS HAS REPORTED CHANGES CORRECTLY AND FINAL EVALUATION WILL HAVE TO AWAIT ACTUAL PEOPLES ASSEMBLY-APPROVED DOCUMENT. ASSEMBLY REJECTED GRANTING FOREIGN EMPLOYEES OF LAW 43 VENTURES EXEMPTION FROM GENERAL INCOME TAX. EGYPTIAN CONSULTING OFFICES

WILL NOT BE ALLOWED TO APPLY FOR LAW 43 BENEFITS. JOINT STOCK, I.E., FOREIGN PARTICIPATION, CONSULTING OFFICES WILL, HOWEVER, BE ELIGIBLE FOR STANDARD TREATMENT AS FOREIGN INVESTMENT. PROPOSAL THAT REGIONAL REPRESENTATION AND INSURANCE COMPANIES BE CONSIDERED FOR LAW 43 BENEFITS WAS ALSO REJECTED. ASSEMBLY STIPULATED THAT JOINT STOCK CONSTRUCTION AND CONTRACTING ACTIVITIES COULD BE ELIGIBLE FOR LAW 43 BENEFITS PROVIDED NO LESS THAN 50 PERCENT OF CAPITAL IS EGYPTIAN. ASSEMBLY REDUCED FROM TEN TO FIVE PERCENT THE EGYPTIAN SHARE OF LAW 43 PROJECTS WHICH COULD CONTINUE TO RECEIVE TAX EXEMPTION AFTER INITIAL TAX-EXAMPT PERIOD HAS LAPSED.

4. ASSEMBLY INSERTED AMENDMENT OF ITS OWN IN FORM OF BAN ON MINISTERS AND OTHR STATE EXECUTIVES (UNSPECIFIED IN PRESS) FROM PARTICIPATING IN OR BEING EMPLOYED BY FOREIGN INVESTMENT FIRMS FOR A PERIOD OF THREE YEARS AFTER LEAVING OFFICIAL POSTS. BAN WOULD ALSO APPLY TO MEMBERS OF PA THROUGHOUT MEMBERSHIP IN THE ASSEMBLY.

5. COMMENT. DESPITE REPORTEDLY HEATED DEBATE, INVESTMENT LAW CHANGES HAVE BEEN MADE WITHOUT ANY MAJOR SURPRISES. NEXT STEP IS APPARENTLY FOR PRESIDENT TO ISSUE DECREE IMPLEMENTING PEOPLES ASSEMBLY ACTION. WE WOULD EXPECT THIS TO TAKE PLACE SOON. FURTHER ANALYSIS MUST AWAIT ACTUAL TEXT OF APPROVED CHANGES WHICH WE HOPE TO BE ABLE TO PROCURE NEXT FEW DAYS.
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Sent Date: 17-May-1977 12:00:00 am
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